

Positioning Matrix

This is a graphic representation of where your business and your competitors fit in your market. It's a comparison of pricing and specialization. You can't be all things to all people so know your market and conquer your segment.

Cost is fairly obvious. You are analyzing the price of your product relative to others in your market. Don't analyze what pricing would be if things were fantastic or what your friend's business makes in another area. Your pricing, your market, your competitors. Where you are and where you want to be.

Specialization and Variety dictate the kinds of goods and services you are selling or plan to sell. A firm that is specialized has fewer clients but can offer improved service, have higher pricing and more loyal customers. Variety stores have more clients but must compete nearly completely on price.

For example let's look at stores that sell men's T-shirts.

Wal-Mart is the low cost leader selling different styles to babies, boys, teens and adults so they occupy the Low-Cost/Variety quadrant. Nordstrom's also sells different styles, not as much variety as a Wal-Mart but higher quality and customer service by a salesman. That gives them reign in the High Cost/Variety quadrant. Cabela's sells underwear specific to the needs of outdoorsmen. You can't find it at most stores so it carries a higher price. They are in the High Cost/Specialty quadrant. Finally, we come to the Mom and Pop Screen printing shop that buys plain T's in quantity, prints to customer order and sells a unique product. They keep costs down and are highly specialized.

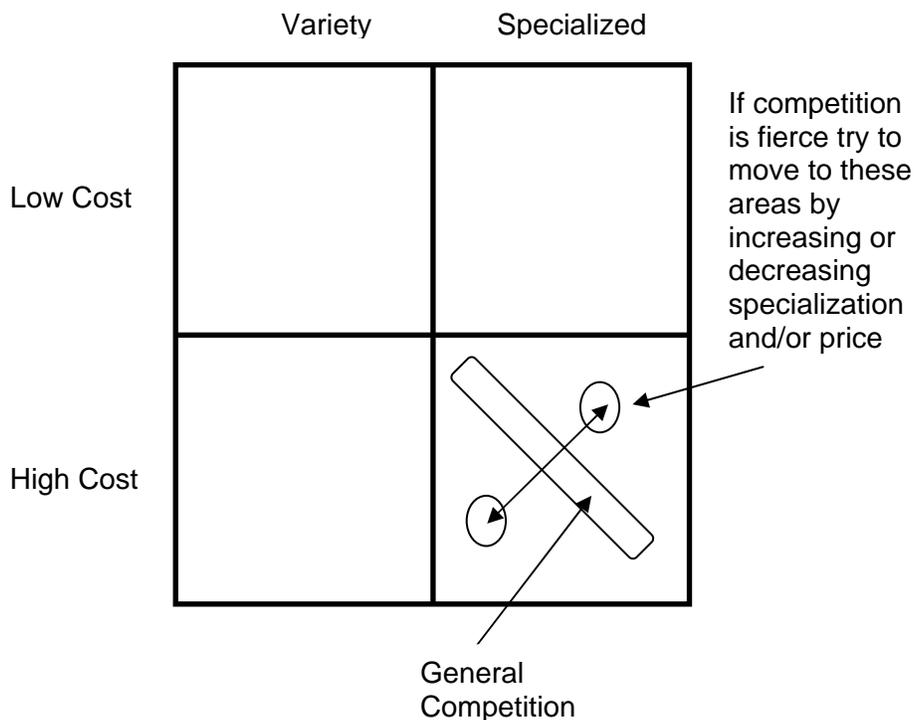
	Variety	Specialized
Low Cost	Wal-Mart	Screen Printing R'Us
High Cost	Nordstrom's	Cabela's

Something that should become obvious is that there is a lot of room in each quadrant and each competitor takes up differing amounts of space within their quadrant. Wal-Mart has a very large footprint. Very low cost and a very wide variety. However, their model is changing. Wal-Mart's nationwide still have a broad product range but they are moving to very shallow lines. In other words, they still sell Turkey Breast, Picture Frames and Motor Oil but, you had better like the size of the turkey, the color of the frame and the brand of oil or you will have to conform. Still, you will never "Out Wal-Mart a Wal-Mart."

Within the Cabela's area used as an example above, they have a very distinct specialization for outdoors clothing but the footprint is small. There is still a lot of room for someone who wants to specialize in Cycle apparel. Nordstrom's footprint is small in the T-shirt category as well because few if any people go to Nordstrom's specifically to buy underwear. There is still room for competition in that area, as long as you have customer traffic.

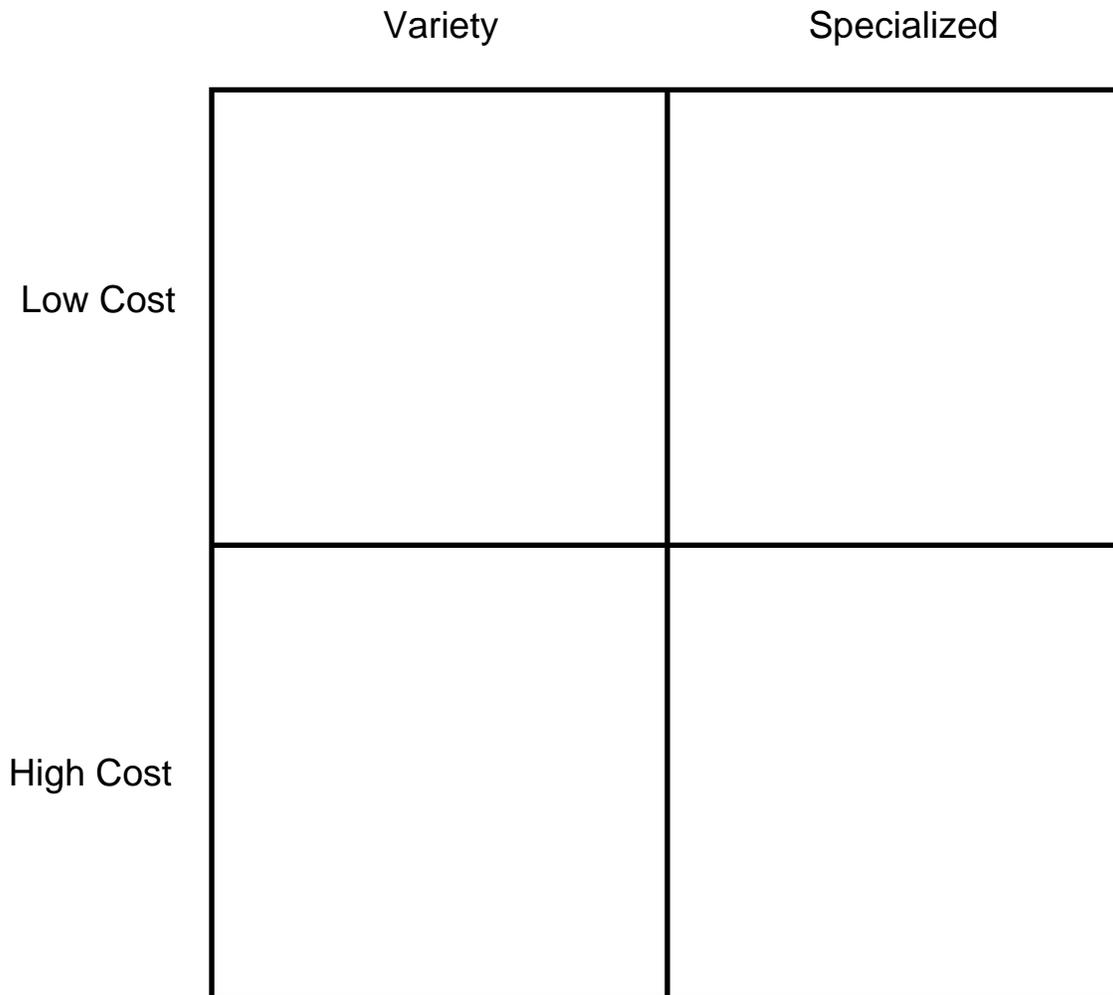
When you look at your competitors you may all be within the same quadrant on our matrix. That's ok as long as you are not all at the same point within the quadrant. For example, you may all be in the High Cost/Specialized quadrant. Movement within that quadrant tends to be back and forth from upper left to lower right. Why? Because, to lower your price without lowering your profit you become less specialized. You have to. Lower price means you can't afford custom work or a large sales staff that pays a lot of attention to the customer. However, the reverse is also true. Becoming more specialized and hiring an on-staff professional like a repairman or a technology expert, means that you have to raise your prices to retain profit.

The key to destroying your competition is to find a way to move along the perpendicular path, either to the upper right or lower left. If you can do that, now you have something special. High specialization at a lower price or you are able to maintain a higher price and gain variety and thus a larger target market which means, more customers (willing to pay a higher price).



In the grid below, mark where you have been and where you want to be. Report this information along with how you are going to make that change to your counselor. Also, detail where you see your major competitors. If you occupy the exact same space competition is more difficult.

Remember, it's more than just choosing a quadrant because within that quadrant there are hundreds of variations. For example a highly specialized business will be at the far right of the quadrant while a somewhat specialized business will be closer to the left of the same quadrant.



Now describe why you marked you at present and future where you did and why you marked your competitors where you did. Also, consider what your competitors are likely to do when you make your changes and how you will counter those competitor changes. Report all of this to your counselor.